SENATE TAXATION
EXHIBIT NO. 6
DATE 3.20.09
BILL NO. SB 459

Montana Department of Revenue

Dan Bucks
Director

Brian Schweitzer
Governor

Memorandum

To: Senator Erickson

From: Larson Silbaugh, Economist

Larson

Date: February 12, 2009

Subject: Preferential Capital Gains Treatment

Question
How do other states in the region treat capital gains for individual income tax purposes?

Answer
Below is a list of 11 states and how capital gains are treated when calculating individual income taxes.

There are basically four groups of states: states without individual income taxes, states that treat capital gains as ordinary income, states that allow a deduction and one other state that allows a credit equal to 5% of the capital gain.

State	Treatment of Capital Gains
Arizona	None
California	Taxed as Ordinary Income, generally the same calculated gains as on the federal return. Occasionally there is a difference in the cost basis, resulting in a different amount of gain.
Colorado	Capital Gains from Colorado are exempt from state taxation. Those capital gains must be from the sale of Colorado real or personal property or from the stock of a Colorado company, and it must have been owned for at least five years.
Idaho	Allowed to deduct 60% of Idaho capital gains from FAGI. Stocks do not qualify, but Livestock owned for 24 months and real property and tangible property used in revenue producing business if owned for more than 12 months.
North Dakota	Allowed to exclude 30% of capital gain from North Dakota Income
Nevada	No Personal Income Tax
Oregon	None
South Dakota	No Personal Income Tax
Utah	5% credit if at least 70% of gross proceeds were used to buy stock in a certified Utah small business within 12 months
Washington	No Personal Income Tax
Wyoming	No Personal Income Tax

If you have any questions, feel free to contact me at lsilbaugh@mt.gov or 444-7925.